

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 HO CHI MINH CITY 001383

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [PINR](#) [ECON](#) [EAID](#) [EFIN](#) [ETRD](#) [VM](#) [WTO](#) [SOE](#)

SUBJECT: FORMER PM VO VAN KIET ON U.S. TIES, WTO, ECONOMIC REFORM

REF: HANOI 2926

1. (SBU) Summary: Former Prime Minister Vo Van Kiet, one of the fathers of Vietnam's economic reform policy and an informal advisor to the GVN and the Party, stressed to the Consul General October 30 that Vietnam is on the verge of eliminating the last vestiges of its central planning system, divesting all but a few "strategic" state owned enterprises and creating a level playing field that will foster entrepreneurship and spur economic growth. A firm majority in the Party favors taking more dramatic steps to spur double-digit economic growth. At the same time, the contention that the United States seeks to use economic reform to undermine the Party -- so-called "peaceful evolution" -- no longer resonates much. Vietnam, Kiet maintained, is ready to take our bilateral relationship to a new level of cooperation. End Summary.

2. (SBU) In a two-hour tour d'horizon with the CG and PolOff October 30, former Prime Minister Vo Van Kiet (1991-97), one of the Party's elder statesmen from the South and an architect of Vietnam's economic liberalization policy, underscored the commitment of the GVN and the Communist Party to deeper economic reform and to a substantially improved relationship with the United States. Kiet agreed with the CG that Vietnam has the clear capacity to move to double-digit rates of economic growth from its current annual seven percent rate. He said the Party is acutely aware that, should Vietnam fail to further catalyze economic growth, it will fail in its top-priority objective to catch up with its "neighbors" (China, Thailand and Malaysia).

3. (SBU) Sometimes sounding more like an investment banker than a former Politburo member and current informal advisor to the GVN and Party, Kiet said that the GVN now recognizes that it needs to do more to promote the non-state sector of the economy, to catalyze domestic entrepreneurship and to attract greater foreign investment. The GVN, he maintained, is prepared to take new measures to streamline the regulatory process and to minimize corruption. The GVN also will move more determinedly to divest all but a few "strategic" state-owned enterprises and create a level playing field in which SOEs and private companies would compete fairly for credit, market share and survival. Subsidies for SOEs would be cut and legal and administrative remnants of Vietnam's old centrally planned economic system also will be removed. Kiet maintained that these reforms do not need to wait until the 10th Party Congress in 2006 for resolution. He said that the legal framework exists or can be supplemented quickly to implement reform, particularly as the National Assembly understands that the negative effects of waiting outweigh the positive ones of prompt action.

Peaceful Evolution warnings losing steam  
-----

4. (SBU) Kiet agreed that there are those in the Party -- "older cadre and government officials" -- who still resist economic reform because such reform "would create social instability." (Note: Party leaders equate social instability with a weakening of the Party's control over society. End note.) Publicly, these concerns are sometimes manifested as a warning against "peaceful evolution," an attempt by "external forces" such as certain elements in the United States to use peaceful means to bring "unwanted" change to Vietnam.

5. (SBU) Unlike when he was Prime Minister, Kiet believed that the naysayers are a minority and will not halt the reform process. Within the Party, fear of lagging behind Vietnam's neighbors and failing to meet the economic expectations of the Vietnamese people outweigh concerns over the implications of pushing for a more open, private-sector oriented economy.

A strengthened bilateral relationship  
-----

6. (SBU) Kiet also was firm that the "peaceful evolution" group within the Party and GVN would not be able to impede the strengthening of the U.S.-Vietnam bilateral relationship. Now that Vietnam had "resolved" most bilateral issues with China other than the Spratlys, there is more of an emphasis within the Party and GVN on the relationship with the United States. Kiet said that the strategy of making trade and economic issues the bedrock of the relationship is the correct one; in particular, the Bilateral Trade Agreement is a "needed precondition" that allows Vietnam to address other problems in the relationship. He said it is the "common view of Vietnam's leadership" that there is no

reason why the U.S.-Vietnam relationship could not be modeled on the U.S. bilateral relationship with Japan or the very friendly ties that Vietnam has developed with France.

17. (SBU) Kiet also made a pitch for U.S. support for Vietnam's rapid entry into the WTO. However, unlike his successor PM Phan Van Khai, Kiet did not call for U.S. concessions during the WTO accession negotiations (see reftel for the Ambassador's recent conversation with PM Khai). Kiet did rail against hardliners within the Party who had held up Vietnamese approval of the BTA in the late 1990s. He argued that, because Vietnam delayed signing the BTA, it was put in the position of having to negotiate with its neighbors (Cambodia, Laos and China) for Vietnam's WTO accession rather than have them seek Vietnam's approval for their own entry into the WTO.

18. (SBU) Only on religious freedom issues did Kiet sound less like a reformer and more like a traditional Party representative. Kiet acknowledged a number of "incidents" and said that some local officials still have unfortunate "prejudices." He maintained, however, that these incidents belie the tremendous growth of religious freedom and religious practice in Vietnam. The CG pointed out to Kiet that our dialogue with the GVN on religion does not focus on the freedom of belief but on how people can organize themselves to practice their faith.

WINNICK